

Council on Postsecondary Education
November 7, 2005

Base Funding for Postsecondary Education

Base operations for postsecondary education are recommended as the Council's first priority. There are three major components to the base funding request:

- (1) CPE Operations
- (2) Adult Education Program Funding
- (3) Benchmark and Performance Funding for the Institutions

Council Operations

Agency operations include staff and operating expenses necessary to manage the agency and programs of the Council, including those employees involved in the direct delivery of Kentucky Adult Education services and the Kentucky Virtual University/Virtual Library. The agency is organized into several primary units with agency operations providing support services to all units:

- **Executive** provides leadership and direction to the other units; coordinates the postsecondary education equal opportunity efforts; directs strategic planning, accountability, and assessment efforts; provides legal services to the agency; provides governmental and legislative services, media relations, and communications planning for the entire agency; and human resources services.
- **Finance** unit is responsible for developing funding approaches for the institutions, the analysis of postsecondary education financial information, the review and recommendation of capital construction projects, tuition setting, reciprocity agreements, and the administration of the strategic investment and incentive trust funds. In addition to these institutionally focused activities, the Finance unit also is responsible for the administrative and business operations of the agency: budgeting, accounting, purchasing, printing/copying, telecommunications services, and inventory control.
- **Academic Affairs** includes activities related to approval, modification, disapproval, or discontinuance of academic programs, extended campus activities, academic course inventory, admissions standards, accountability, statewide strategic planning, early childhood literacy, baccalaureate degree transfer, Academic Common Market, KEES, and licensure of independent colleges and universities. The Academic Affairs unit administers the faculty development program located in the Technology Initiative Trust Fund and the Early Math Testing and Local P-16 Council initiatives funded through the

Council's pass-through programs. New economy responsibilities arise out of HB 572, 2000 Regular Session, and include oversight of the Science and Technology Funding Program and coordination of the state's economic development initiatives in conjunction with the Economic Development Cabinet.

- **Kentucky Adult Education** was transferred to the Council in 2003, including staff, along with state and federal funds; every Kentucky county is served by a comprehensive adult education program that offers all levels of adult education instruction, family literacy, and employability and life skills instruction. The Council staff reorganized by adding the adult education staff and activities to the Council consolidating various administrative functions for the agency and centralizing key support functions. These functions include accounting, budgeting, purchasing, printing, facilities management, and telecommunications services, which were previously dispersed between agency operations, KYVU/KYVL, and adult education. Information and technology services, personnel and payroll services, and communications also were reorganized and centralized.
- **The Kentucky Virtual University/Virtual Library** is composed of two interrelated functions. KYVU is Kentucky's official virtual campus that is designed to be student-centered and a technology-based utility for the support of lifelong learning. KYVU simplifies access to quality college credit, professional development, and supplemental studies. The KYVU provides a single access point to statewide learning support services, including KYVL, thus serving as a seamless transition to higher education for Kentucky citizens. The KYVL's mission is to provide Kentuckians with equitable access to quality library and information resources and qualified, well-trained staff to support the Kentucky Virtual University, as well as meet broader needs for learning, working, and living.
- **Information and Technology** is composed of two sections. The Information and Research section administers activities related to the collection and analysis of student data collected through the agency's comprehensive database. It supports decision making at the Council by collecting and analyzing data from public and private postsecondary institutions within the state, and produces statistical reports, conducts policy and accountability research, and works with other agencies to develop data collection and retrieval systems. The Technology section provides support and maintenance of the agency's computing needs including the local area network and coordination of statewide technology efforts. These services are available to all of the program units of the Council. This unit also includes our Web masters, programmers, and developers.

The baseline calculations for agency operations result in 11 vacant positions being excluded from the base of the agency in fiscal years 2006-07 and 2007-08. One of the top priority requests for the next biennium is for \$999,800 in FY 2006-07 and \$1,055,600 in FY 2007-08 to fund these 11 full-time positions, as well as two vacant co-op/intern positions used

periodically by KY Adult Education. Four of the 11 full-time positions have been filled since August 1. Another position, Senior Fellow for Knowledge-based Economy Initiatives, is filled, but currently under contract with UK. The remaining vacant positions are essential to the successful operations of the agency especially given the responsibility for guiding the public agenda prompted by House Bill 1.

Adult Education Program Funding

The Kentucky Adult Education Act of 2000 (Senate Bill 1) stated, "Adult illiteracy is a fundamental barrier to every major challenge facing Kentucky, including early childhood education, education reform, economic development, and improving the health and well being of Kentucky's families and communities."

The Kentucky Adult Education Act provided the foundation for improving the educational status of adult Kentuckians who do not have a high school diploma, who function at low levels of literacy, or who want to learn the English language. Enrollment in adult education programs increased 142 percent from 51,177 in FY 2000 to a record high enrollment of 124,081 in FY 2005. While overall enrollment has increased, participation in English as a second language programs has declined, and GED completions have remained stagnant.

Funding is allocated to county programs through grants for adult education services, the cornerstone of Kentucky Adult Education. The Kentucky Adult Education Act requires services to be targeted to communities with the greatest need, so funds are allocated using a formula based on the number of adults in each county functioning at low literacy levels. Through this funding, every Kentucky county is served by a comprehensive adult education program that offers all levels of adult education instruction, family literacy, and employability and life skills instruction.

In 2000, Senate Bill 1 appropriated \$19 million in new funds to adult education, and the increase led to a more than doubling of enrollment to 124,081 in FY 2005. Kentucky Adult Education has exceeded enrollment and performance goals every year since 2000. Kentucky is one of only two states to fund family literacy programs in every county; workplace education program enrollment has increased from 8,724 to over 50,000; students obtaining a GED and transitioning on to postsecondary education within two years has increased from 12 percent to nearly 20 percent.

While Kentucky Adult Education has made remarkable progress in the past few years, much remains to be done and additional resources are needed to continue progress. Of the 2.4 million working-age Kentuckians, 40 percent function at the two lowest levels of literacy. Even the record-setting enrollment in FY 2005 represents only 12.5 percent of the nearly one million Kentuckians functioning at low literacy levels.

Benchmark and Performance Funding for the Institutions

Section G summarizes in detail the benchmark model and the changes made to the Council's finance policies involved in determining adequate funding levels for the institutions related to the benchmarks. Attachment B-1 details the methodology and the calculations used to determine the funding recommendation for each institution.

A summary of the major points regarding the benchmark request follows:

- Statistical model approved by the Council in April 2005 determined 30 most similar institutions in the U.S. for each comprehensive institution from which 19 were selected by each institution.
- Statistical model approved by the Council in April 2005 determined 30 most similar systems in the U.S. for KCTCS from which 19 were selected by KCTCS.
- Criteria approved by the Council in July 2005 were used to establish benchmarks for UK and UofL based on the mandate in House Bill 1 to become nationally recognized research institutions (top 20 - UK, and premier nationally recognized metropolitan research - UofL).
- The request seeks to increase the base funding for each institution to 5 percent above the average of the benchmarks within the next four years.
- Five percent or \$3.5 million will be requested for a performance component related directly to the key indicators of the public agenda in the second year of the biennium.
- The recommendation does not include adjustments for maintenance and operations of new facilities. These will be added to the request as presented to the Office of the State Budget Director and the Legislative Research Commission prior to November 15.

2006-2008 BENCHMARK FUNDING - FINANCIAL ANALYSIS

ATTACHMENT B-1

2 BIENNIA PHASE-IN

		<u>EKU</u>	<u>KCTCS</u>	<u>KSU</u>	<u>MoSU</u>	<u>MuSU</u>	<u>NKU</u>	<u>UK</u>	<u>UofL</u>	<u>WKU</u>
A	2006-2008 Benchmark Objective (1)	\$ 11,957	\$ 8,015	\$ 11,200	\$ 11,688	\$ 11,682	\$ 12,786	\$ 20,111	\$ 20,179	\$ 12,190
B	2005-06 Estimated Objective (2)	\$ 12,746	\$ 8,544	\$ 11,940	\$ 12,460	\$ 12,454	\$ 13,630	\$ 21,440	\$ 21,512	\$ 12,995
C	Less Tuition and Fees (Benchmark Average or Budgeted) (3)	5,940	3,050	4,669	5,682	6,052	7,333	9,498	9,401	6,355
D	Net Funding Need Per FTE	\$ 6,807	\$ 5,494	\$ 7,272	\$ 6,778	\$ 6,401	\$ 6,297	\$ 11,942	\$ 12,111	\$ 6,640
E	2005-06 State General Fund Appropriations	77,470,800	207,750,700	25,248,300	44,839,500	54,954,200	51,333,500	314,302,200	183,687,900	78,038,800
	Less:									
F	Public Service	-	-	2,379,800	-	2,835,100	-	43,155,200	19,284,000	-
G	Research	-	-	2,499,800	-	-	-	33,748,000	-	-
H	Debt Service	3,848,000	5,974,400	873,500	1,411,200	1,909,600	4,731,700	7,960,400	11,182,900	3,202,200
I	Total State General Fund Appropriations	\$ 73,622,800	201,776,300	\$ 19,495,200	\$ 43,428,300	\$ 50,209,500	\$ 46,601,800	\$ 229,438,600	\$ 153,221,000	\$ 74,836,600
J	Estimated Fall 2005 FTE (4)	12,183	50,962	1,909	7,263	8,557	10,949	23,088	16,986	15,403
K (I/J)	Estimated General Fund Per FTE	\$ 6,043	\$ 3,959	\$ 10,212	\$ 5,979	\$ 5,868	\$ 4,256	\$ 9,938	\$ 9,020	\$ 4,859
L (D-K)	Difference (Need less estimated)	\$ 763	\$ 1,535	\$ (2,941)	\$ 799	\$ 533	\$ 2,041	\$ 2,004	\$ 3,091	\$ 1,782
M	General Funds Generated (Difference X Estimated Fall 2005 FTE)	9,301,103	78,208,405	-	5,802,827	4,565,017	22,347,129	46,275,632	52,499,282	27,446,627
	Total Public Funds Cap									
N	2006 Total Public Funds (State General Fund + Budgeted Tuition and Fees)	148,422,800	331,510,000	-	83,653,300	108,507,800	128,275,200	412,248,200	285,296,700	169,086,600
	Total Public Funds Generated (General Funds Generated + 2006 Total Public Funds)	157,723,903	409,718,405	-	89,456,127	113,072,817	150,622,329	458,523,832	337,795,982	196,533,227
O (M+N)										
P (B*J)	Total Public Funds Cap (Total Public Funds Objective X 105%)	163,052,618	457,206,749	-	95,023,315	111,893,469	156,702,111	519,748,553	383,670,153	210,171,014
Q	Total Public Funds Generated in Excess of Cap (Total Public Funds Generated - Total Public Funds Cap)	-	-	-	-	1,179,348	-	-	-	-
R (M-Q)	General Fund Appropriation Need (General Funds Generated - Funds in Excess of Cap)	\$ 9,301,103	\$ 78,208,405	\$ -	\$ 5,802,827	\$ 3,385,669	\$ 22,347,129	\$ 46,275,632	\$ 52,499,282	\$ 27,446,627
S (R/4)	Benchmark Funding - 2 Biennia Phase-In	\$ 2,325,276	\$ 19,552,101	\$ -	\$ 1,450,707	\$ 846,417	\$ 5,586,782	\$ 11,568,908	\$ 13,124,820	\$ 6,861,657
T (I*5%)	Floor Calculation - 5%	\$ 3,681,140	\$ 10,088,815	\$ 974,760	\$ 2,171,415	\$ 2,510,475	\$ 2,330,090	\$ 11,471,930	\$ 7,661,050	\$ 3,741,830
U	Small Institution Adjustment	-	-	2,880,800	-	-	-	-	-	-
	Mandated Programs Inflationary Increase									
V	2006-07 Increase (2.8%)	-	-	-	-	70,983	-	2,153,290	367,145	-
W	2007-08 Increase (2.6%)	-	-	-	-	67,758	-	2,055,469	939,987	-
	2006-08 Mandated Programs Increase	-	-	-	-	138,741	-	4,208,758	1,307,132	-
	Biennial Request									
X (Shaded Area+V)	2006-07 Increase	3,681,100	19,552,100	1,440,400	2,171,400	2,581,500	5,586,800	13,722,200	13,491,900	6,861,700
Y (Shaded Area+W)	2007-08 Increase	3,681,100	19,552,100	480,100	2,171,400	2,578,300	5,586,800	13,624,400	14,064,800	6,861,700
Z (X+Y)	2006-08 Biennial Request	7,362,200	39,104,200	1,920,500	4,342,800	5,159,800	11,173,600	27,346,600	27,556,700	13,723,400

	Total
	Need
Benchmark Funding	\$ 248,147,473

1. 105% of the benchmark average.
2. The benchmark funding objective increased by inflation.
3. The tuition and fees deduction is based on 2005-06 budgeted tuition and fees as a percent of total public funds or the benchmark average tuition and fees as a percent of total public funds.
4. FTE = total full-time headcount + 1/3 part-time headcount.
5. The shaded areas represent the greater funding need (benchmark funding, floor calculation, or small institution adjustment).